

**SUMMARIZED MINUTES
SCOTTSDALE CITY COUNCIL
TUESDAY, MARCH 21, 2006**



**CITY HALL KIVA
3939 N. DRINKWATER BOULEVARD
SCOTTSDALE, AZ 85251**

CALL TO ORDER

Mayor Manross called to order a Regular Meeting of the Scottsdale City Council on Tuesday, March 21, 2006 in the Kiva, City Hall, at 5:06 P.M.

ROLL CALL

Present: Mayor Mary Manross
Vice Mayor Ron McCullagh
Council Members Betty Drake, Wayne Ecton, W.J. "Jim" Lane,
Robert Littlefield, and Kevin Osterman

Also Present: City Manager Jan Dolan
City Attorney Deborah Robberson
City Clerk Carolyn Jagger

PLEDGE OF ALLEGIANCE - Girl Scout Troop #149, Tonolea Elementary School, Troop Leaders Tammy Wagner and Glenda Westphal

INVOCATION - Pastor Frank Shirvinski, Chaparral Christian Church

PRESENTATIONS/INFORMATION UPDATES - Mayor Manross announced that Scottsdale received the Governor's Award for Energy Efficiency today at the Energy Management Conference.

PUBLIC COMMENT - None

NOTE IN ACCORDANCE WITH PROVISIONS OF THE ARIZONA REVISED STATUTES THE SUMMARIZED MINUTES OF CITY COUNCIL MEETINGS ARE NOT VERBATIM TRANSCRIPTS. ONLY THE ACTIONS TAKEN AND DISCUSSION APPEARING WITH QUOTATION MARKS ARE VERBATIM. DIGITAL RECORDINGS OF CITY COUNCIL MEETINGS ARE ON FILE IN THE CITY CLERK'S OFFICE.

APPROVAL OF MINUTES

REGULAR MEETINGS
February 21, 2006

WORK STUDY SESSIONS
February 28, 2006

COUNCILMAN LANE MOVED FOR APPROVAL OF THE REGULAR MEETING MINUTES OF FEBRUARY 21, 2006 AND THE WORK STUDY SESSION MINUTES OF FEBRUARY 28, 2006. COUNCILMAN OSTERMAN SECONDED THE MOTION, WHICH CARRIED 7-0.

CONSENT AGENDA ITEMS 1 - 10

ITEM 8 WAS REMOVED FROM THE CONSENT AGENDA FOR SEPARATE ACTION.

1. **Babe's Acquisition of Control Change Liquor License**
 Request: Consider forwarding a recommendation to the Arizona Department of Liquor Licenses and Control for an Acquisition of Control change for Babes Cabaret, an existing location.
 Location: 2011 N. Scottsdale Road
 Reference: 53-LL-2004#2
 Staff Contact(s): Frank Gray, Planning and Development Services General Manager, 480-312-2890, fgray@scottsdaleaz.gov; Connie Padian, Customer Service Chief Officer, 480-312-2664, cpadian@scottsdaleaz.gov
2. **The Herb Box Catering Company (Beer and Wine Bar) Liquor License**
 Request: Consider forwarding a recommendation to the Arizona Department of Liquor Licenses and Control for a person and location transfer of a series 7 (beer and wine bar) liquor license for a newly licensed location.
 Location: 6990 E. Shea Boulevard, Ste. 116 and 117
 Reference: 84-LL-2005
 Staff Contact(s): Frank Gray, Planning and Development Services General Manager, 480-312-2890, fgray@scottsdaleaz.gov; Connie Padian, Customer Service Chief Officer, 480-312-2664, cpadian@scottsdaleaz.gov
3. **Desert Mountain Properties (Beer and Wine Store) Liquor License**
 Request: Consider forwarding a recommendation to the Arizona Department of Liquor Licenses and Control for a series 10 (beer and wine store) liquor license for a wine storage/sales area at a newly licensed location near the Desert Mountain Club.
 Location: 10550 E. Desert Hills Drive
 Reference: 9-LL-2006
 Staff Contact(s): Frank Gray, Planning and Development Services General Manager, 480-312-2890, fgray@scottsdaleaz.gov
4. **Dozo Japanese Cuisine (Restaurant) Liquor License**
 Request: Consider forwarding a recommendation to the Arizona Department of Liquor Licenses and Control for a series 12 (restaurant) liquor license for an existing location that previously operated with a series 7 (beer and wine bar) liquor license.
 Location: 4320 N. Miller Road
 Reference: 10-LL-2006

Staff Contact(s): Frank Gray, Planning and Development Services General Manager, 480-312-2890, fgray@scottsdaleaz.gov

5. DC Ranch Parcel 2.8 Final Plat

Request: Approve a Final Plat for a 30-unit town home community on a 9.6-acre parcel within DC Ranch.

Location: Southwest corner of Thompson Peak and East Desert Camp Drive

Reference: 9-PP-2005

Staff Contact(s): Frank Gray, Planning and Development Services General Manager, 480-312-2890, fgray@scottsdaleaz.gov; Randy Grant, Chief Planning Officer, 480-312-7995, rgrant@scottsdaleaz.gov

6. East End Electrical Substation Conditional Use Permit

Requests:

1. Approve a conditional use permit for a public utility service yard (electrical substation) on a 3.64 +/- acre parcel located at 17490 N. 91st Street with Industrial Park, Planned Community District (I-1 PCD) zoning.
2. Adopt Resolution No. 6856 affirming the conditional use permit.

Location: 17490 N. 91st Street

Reference: 28-UP-2005

Staff Contact(s): Frank Gray, Planning and Development Services General Manager, 480-312-2890, fgray@scottsdaleaz.gov; Randy Grant, Chief Planning Officer, 480-312-7995, rgrant@scottsdaleaz.gov

7. Scottsdale Housing Agency Plan for Fiscal Year 2006/07 and Scottsdale Housing Agency Administrative Plan Revision

Request: Adopt Resolution No. 6827, which approves the Annual Agency Plan for Fiscal Year 2006/07 for the operation of the Section 8 Rental Assistance Program (Housing Choice Voucher) with funding from the United States Department of Housing and Urban Development (HUD), and authorizes submittal of the Plans to HUD. The resolution also authorizes the submission of the Revised Scottsdale Housing Agency (SHA) Administration Plan to HUD, and acceptance of up to 30 Housing Choice Vouchers if HUD offers them in the 2006/07 program year.

Related Policies, References: Resolution No. 6627, passed and adopted on March 22, 2005, which approved the Five-Year and Annual Agency Plan and submittal of the Plan to HUD.

Staff Contact(s): Debra Baird, Community Services General Manager, 480-312-2480, dbaird@scottsdaleaz.gov

8. Amend the Scottsdale Revised Code Relating to Public Nuisance and Property Maintenance

REMOVED FOR SEPARATE ACTION. SEE PAGE 4.

9. Transfer from Loss Trust Fund Self-Insurance Reserve for Outstanding Claim Payments

Request: Authorize the transfer of \$1.0 million in reserve funds from the Loss Trust Fund Self-Insurance Reserve to the Risk Management operating center. This transfer

authorizes Risk Management to pay outstanding claims for casualty losses through the end of the fiscal year.

Staff Contact(s): Craig Clifford, General Manager, Financial Services, 480-312-2364, cclifford@scottsdaleaz.gov

10. Construction Bid Award for the Pima Road Multi-Use Path Segment, Via Linda to Inner Circle

Request: Concur with Arizona Department of Transportation (ADOT) Bid Award for the construction of the Pima Road Multi-Use Path from Via Linda to Inner Circle to Bison Contracting Co., the lowest responsive bidder, at their lump sum bid of \$1,823,147.50.

Related Policies, References: City Council approved Resolution No. 6592 authorizing Intergovernmental Agreement No. 2005-040-COS with ADOT to construct the Pima Road Multi-Use Path Section: Via Linda to Inner Circle on March 22, 2005.

Staff Contact(s): Al Dreska, Municipal Services General Manager, 480-312-5555, adreska@scottsdaleaz.gov

MOTION AND VOTE – CONSENT AGENDA

COUNCILMAN OSTERMAN MOVED FOR APPROVAL OF CONSENT AGENDA ITEMS 1 THROUGH 7, 9 AND 10. COUNCILMAN LANE SECONDED THE MOTION, WHICH CARRIED 7-0.

ITEM 8 REMOVED FOR SEPARATE ACTION:

8. Amend the Scottsdale Revised Code Relating to Public Nuisance and Property Maintenance

Request: Adopt Ordinance No. 3669 amending Section 18-2 of the Scottsdale Revised Code, relating to public nuisance and property maintenance definitions.

Related Policies, References: Chapter 18, Scottsdale Revised Code

Staff Contact(s): Judy Register, Citizen and Neighborhood General Manager, 480-312-2454, jregister@scottsdaleaz.gov

Councilman Osterman asked staff to provide detailed information on the proposed changes to the Scottsdale Revised Code.

Raun Keagy, Neighborhood Services Director, explained that the amendment is a housekeeping item to remove the word "required" from the ordinance as it relates to license plates on abandoned vehicles. This amendment was prompted by a recent Superior Court finding that the word is vague in this particular section of the code.

MOTION AND VOTE – ITEM 8

COUNCILMAN OSTERMAN MOVED FOR APPROVAL OF ITEM 8, ADOPTING ORDINANCE NO. 3669. COUNCILMAN LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED 7-0.

REGULAR AGENDA

ITEMS 11-12

11. Public Hearing for Adjustment of Water, Water Resources and Sewer Development Fees

Request: Conduct a Public Hearing and accept citizen comment on the City's intention to adopt new Water Development, Water Resources Development, and Sewer Development fees for fiscal year 2006-07 effective July 3, 2006.

Staff Contact(s): David M. Mansfield, Water Resources General Manager 480-312-5681, dmansfield@scottsdaleaz.gov

David Mansfield, Water Resources General Manager, provided a presentation outlining the proposed changes to development fees for each planning zone; including how the fees are determined and spent. Tonight's public hearing is the first step in the process to implement the fee adjustment, culminating in adoption by the City Council on April 4, 2006. Following adoption, the new fees would be effective July 3, 2006.

No public comment cards were submitted.

12. Contribution Rates for Employee Health and Dental Benefits

Request: Adopt Resolution No. 6824 approving premium contribution rates and plan design changes (e.g., co-pays, deductibles) for employee health and dental benefit plans for FY 2006/07.

Related Policies, References:

- Scottsdale Revised Code Section 14-102 relating to the contribution of City funds for employee insurance benefits.
- Council Action dated 9/23/03 authorizing employee health care and life insurance benefits.
- Council Action dated 12/8/03 authorizing benefit plan documents, summary plan descriptions and contribution rates.
- Council Action dated 3/22/05 authorizing FY 2005/06 contribution rates.

Staff Contact(s): Neal Shearer, Assistant City Manager, 480-312-2604, nshearer@scottsdaleaz.gov; Craig Clifford, Chief Financial Officer, 480-312-2364, cclifford@scottsdaleaz.gov; Teri Traaen, Human Resources General Manager, 480-312-2615, ttraaen@scottsdaleaz.gov;

Staff provided a presentation outlining the following:

- Projected FY 06/07 medical and dental costs of \$21.9M for employees; a cost increase of \$5.2M over last fiscal year
- Proposed changes to employee premiums, co-pays, and deductibles to offset costs would provide \$1.2M in estimated cost savings
- Cost comparisons with other Valley cities
- In summary, the benefit plan objectives for FY 06/07 are:
 - Provide quality and competitive plan choices
 - Implement cost containment strategies
 - Minimize transition impacts for employees

Mayor Manross opened public testimony.

Sandra Westcott, 7105 N Via De Alegria, 85258, requested that Council delay increases for a year so staff could do more research and educate employees on the benefit of auditing their insurance claims. She noted that in a recent medical bill for \$35,000 submitted to MMSI, she found \$15,000 in incorrect charges.

Eric Kurland, Scottsdale Education Association, 2622 N 82nd St, 85257, spoke in opposition to the rate changes, and questioned the affect on recruiting and retaining employees.

Bob Mayhew, 7231 E Latham, 85257, said this is taking money away from City employees, at a time when the City is spending millions on Westworld, and there is such a great need for more police officers.

Jim Hill, Police Officers of Scottsdale Association, 8414 E Vista Dr, 85250, asked the City not to cut employees' pay. He noted some premiums would be going up 480%, while in Phoenix the increases are only 8-9%. Mr. Hill said the City is in a great economic boom; pointing out that the Council has approved spending millions of dollars on landscaping, parking, and retaining the San Francisco Giants. He believes there should be more concern for keeping employees. He urged Council to tell staff the proposal is unacceptable.

Roger Carr, 10231 W Dove Wing Way, 85333, said, with rising health care costs, an increase is to be expected, but four times the current premium is excessive.

Lyle Wurtz, 6510 E Palm Ln, 85257, believes health care costs will put many people into bankruptcy, and attributes rising costs to hospitals being forced to treat illegal immigrants.

Chet Anderson, Scottsdale Fraternal Order of Police, 6825 E Thomas Rd, 85257, said the employees have had no input in the plan. Mr. Anderson said the City needs to attract and retain good employees, which are the City's best resource. He believes other options are available and that there is still room for discussion. He encouraged Council to show employees how much they are valued by denying this proposal.

Mayor Manross closed public testimony.

Council and staff discussion:

- There was a question as to why the Town of Gilbert's MMSI rates are lower. A representative explained that Gilbert's rates are different because of claim history and demographics.
- Council and staff discussed the pros and cons of gradually phasing in rate changes and the feasibility of creating a progressive scale for premiums based on salary.
- Staff was urged to engage the employees in more meaningful dialogue and make them part of the process.
- Councilman Littlefield noted that the City has been trying unsuccessfully to recruit new police officers for a long time, and believes that the City should not have changed to a self-funded plan 30 months ago.

MOTION #1

COUNCILMAN LITTLEFIELD MOVED TO SEND THIS PLAN BACK TO DECREASE THE EMPLOYEE CONTRIBUTION, AND TO RE-EXAMINE THE SELF-INSURANCE PLAN. THE MOTION DIED FOR LACK OF A SECOND.

Further Council and staff discussion:

- Most Council members believe self-insurance is still the best method for funding health care benefits.
- Some Council members supported exploring alternate plans and consideration of a transition period.
- It was suggested that a citizens committee be formed to address the employee benefits package.
- Vice Mayor McCullagh stated his belief that the benefits proposal is very reasonable, and commended staff for redistributing the costs as they were requested to do last year. He said the fees are dramatically less than what the private sector pays and noted that the City will still pay a \$3.5M increase over last year. He added that, with the City paying \$8M a year to insure employee dependents, the spouse's employer might absorb some costs if the City's premiums were more competitive.
- A consultant discussed the idea of a progressive payment approach, saying that type of action should be approached cautiously and looked at over time.
- The City Manager presented an option to shift some of the premium increases onto the City, lessening the burden on the employee.

MOTION #2

VICE MAYOR MCCULLAGH MOVED TO APPROVE ITEM 12, ADOPTING RESOLUTION NO. 6824, AND ACCEPTING THE PLAN AS PRESENTED. COUNCILMAN LANE SECONDED THE MOTION.

Council discussion:

- Further discussion ensued regarding phasing-in the premiums over a three-year period.
- Many Council members were concerned about the increased rates and agreed the City should carry more of the burden.
- A portion of the higher rates was attributed to underestimating MMSI claims, along with the addition of a new department.
- More employee feedback was requested to be part of any proposal.
- Staff agreed to come back to Council with an additional proposal in two weeks.

THE MOTION TO APPROVE ITEM 12 FAILED 2-5, WITH MAYOR MANROSS AND COUNCILMEMBERS DRAKE, ECTON, LITTLEFIELD AND OSTERMAN DISSENTING.

MOTION #3

COUNCILMAN OSTERMAN MOVED TO REQUEST STAFF TO RETURN IN TWO WEEKS WITH ADDITIONAL ALTERNATIVES FOR THE EMPLOYEE BENEFITS PLAN. COUNCILMAN ECTON SECONDED THE MOTION, WHICH CARRIED 6-1, WITH VICE MAYOR MCCULLAGH DISSENTING.

CITY MANAGER'S REPORT - None

MAYOR AND COUNCIL Items 13 - 15

13. Legislative Update

Update: Provide updates to the City Council and receive possible direction regarding current and pending State legislative issues and policies.

Related Policies: Pursuant to the 2006 State Legislative Agenda adopted by the City Council on December 13, 2005

Staff Contact(s): Neal Shearer, Assistant City Manager; nshearer@scottsdaleaz.gov, 480-312-2604; Bridget Schwartz-Manock, Intergovernmental Relations Director, bschwartzmanock@scottsdaleaz.gov, 480-312-2423

Staff provided updates on the following pending legislative actions:

- SCR 1019 – Private Property Rights
- HCR 2031 – Land Use Regulation
- HB 2381 – Municipal Planning; Fee Disclosures
 - This bill could impact fees for arts program
- SB 1463 - Sales Tax; Contracting
 - This could have a \$3M per year impact on Scottsdale's state-shared revenue
- HB 2815 – Pseudoephedrine Sales, Restrictions
- SB 1041 Amendment to Elections Bill – regarding holding Council elections in September
 - Council directed staff not to take a position on this amendment
- HB 2796 - Amendment to Motorized Bicycles Bill

In addition, staff is continuing to monitor all photo enforcement legislation.

**14. Public Comment on Arizona American Rate Case at Arizona Corporation
Commission Public Hearing**

Request: Consider directing staff to appear and provide public comment, as determined by City Council, at the March 27, 2006 Arizona Corporation Commission public hearing on proposed water rate increases and surcharges for the Paradise Valley District customers of the Arizona American Water Company, on behalf of Scottsdale customers of the company.

Staff Contact(s): Roger Klingler, Assistant City Manager, 480-312-5830, rklingler@scottsdaleaz.gov; Dave Mansfield, Water Resources General Manager, 480-312-581, dmansfield@scottsdaleaz.gov

Vice Mayor McCullagh questioned the necessity and fairness of proposed water rate increases and surcharges for 1,800 Scottsdale homes in the Paradise Valley District of the Arizona American Water Company. He believes a staff member should appear at the hearing on March 27, 2006 on behalf of those customers.

Council and staff discussion:

- Staff explained that improvement costs are typically spread amongst all customers.
- Staff noted that the City of Scottsdale charges a higher rate to customers who do not reside in Scottsdale.

MOTION – ITEM 14

VICE MAYOR MCCULLAGH MOVED TO DIRECT STAFF TO APPEAR AND PROVIDE PUBLIC COMMENT AT THE MARCH 27, 2006 ARIZONA CORPORATION COMMISSION HEARING. THE MOTION DIED FOR LACK OF A SECOND.

15. Request for Reconsideration

Request: Consider a request from Vice Mayor McCullagh to consider a motion to agendaize, at a subsequent meeting, reconsideration of the vote to approve the transfer of \$800,000 from General Fund CIP Contingency to the Senior Center at Granite Reef Project (Item No. 21, March 7, 2006 Council Agenda).

Staff Contact(s): Deborah Robberson, City Attorney, 480-312-2405, drobberson@scottsdaleaz.gov

Vice Mayor McCullagh believes that the vote to use \$800,000 in Bond 2000 funds for a Preserve trailhead, rather than to complete the Senior Center, was a mistake. He wondered if the Preserve is being completed at the expense of equally important projects. With the Preserve having its own dedicated funding source, he does not agree with supplementing the Preserve with Bond 2000 or tourism tax dollars.

Mayor Manross opened public testimony.

Linda Whitehead, 9681 E Chuckwagon Ln, 85262, said there is no need to reconsider this item since the Council voted appropriately, reaffirming their support for both the Senior Center and the Preserve.

Mayor Manross closed public testimony.

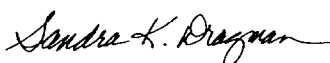
MOTION AND VOTE – ITEM 15

VICE MAYOR MCCULLAGH MOVED TO RECONSIDER THE VOTE TO APPROVE THE TRANSFER OF \$800,000 FROM THE GENERAL FUND CIP CONTINGENCY TO THE SENIOR CENTER AT GRANITE REEF PROJECT. COUNCILMAN LANE SECONDED THE MOTION, WHICH FAILED 2-5, WITH MAYOR MANROSS AND COUNCILMEMBERS DRAKE, ECTON, LITTLEFIELD AND OSTERMAN DISSENTING.

PUBLIC COMMENT - None

ADJOURNMENT - With no further business to discuss, the meeting adjourned at 8:14 P.M.

SUBMITTED BY:



Sandy Dragman
Recording Secretary

REVIEWED BY:



Carolyn Jagger
City Clerk

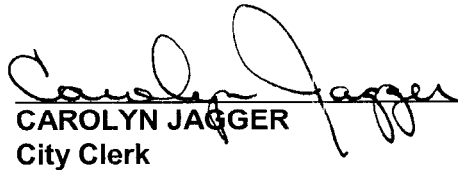
Officially approved by the City Council on April 25, 2006

CERTIFICATE

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Regular Meeting of the City Council of Scottsdale, Arizona held on the 21st day of March 2006.

I further certify that the meeting was duly called and held, and that a quorum was present.

DATED this 25th day of April 2006.


CAROLYN JAGGER
City Clerk